



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



Vredeveld Haefner LLC
CPAs and Consultants

TREETOPS COLLECTIVE

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Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

May 1, 2024

Board of Directors
Treetops Collective

Opinion

We have audited the accompanying financial statements of Treetops Collective (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Treetops Collective as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Treetops Collective and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Treetops Collective's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Treetops Collective's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Treetops Collective's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Urodereld Haefner LLC

TREETOPS COLLECTIVE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

Assets

Current assets

Cash and cash equivalents	\$ 353,090
Accounts receivable	54,553
Prepaid expenses	8,256
Inventory	<u>35,782</u>

Total current assets 451,681

Noncurrent assets

Net property and equipment	<u>1,703,935</u>
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Total assets \$ 2,155,616

Liabilities and net assets

Current liabilities

Accounts payable	\$ 23,204
Accrued payroll and related taxes	11,502
Sales tax payable	136
Compensated absences	19,528
Current portion of mortgage payable	<u>17,379</u>

Total current liabilities 71,749

Noncurrent liabilities

Mortgage payable	<u>451,401</u>
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Total liabilities 523,150

Net assets

Without donor restrictions	1,582,311
With donor restrictions	<u>50,155</u>

Total net assets 1,632,466

Total liabilities and net assets \$ 2,155,616

The accompanying notes are an integral part of these financial statements.

TREETOPS COLLECTIVE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 376,210	\$ 54,168	\$ 430,378
Donated goods	29,900	-	29,900
Retail store			
Sales	114,270	-	114,270
Cost of goods sold	(11,411)	-	(11,411)
Local grants	501,089	34,500	535,589
Rent	50,233	-	50,233
Sister Circle	129,331	-	129,331
Investment return			
Interest, dividends and capital gain distributions	2,121	-	2,121
Net assets released from restrictions			
Satisfaction of program restrictions	<u>577,150</u>	<u>(577,150)</u>	<u>-</u>
Total revenue and support	<u>1,768,893</u>	<u>(488,482)</u>	<u>1,280,411</u>
Expenses			
Program services			
Community development	690,290	-	690,290
Social enterprise	140,555	-	140,555
Supporting services			
Management and general	148,543	-	148,543
Resource development	<u>142,160</u>	<u>-</u>	<u>142,160</u>
Total expenses	<u>1,121,548</u>	<u>-</u>	<u>1,121,548</u>
Change in net assets	647,345	(488,482)	158,863
Net assets, beginning of year	<u>934,966</u>	<u>538,637</u>	<u>1,473,603</u>
Net assets, end of year	<u>\$ 1,582,311</u>	<u>\$ 50,155</u>	<u>\$ 1,632,466</u>

The accompanying notes are an integral part of these financial statements.

TREETOPS COLLECTIVE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Community Development</u>	<u>Social Enterprise</u>	<u>Management and General</u>	<u>Resource Development</u>	<u>Total</u>
Salaries and related expenses	\$ 408,606	\$ 87,945	\$ 20,335	\$ 91,814	\$ 608,700
Grants	3,250	-	1,560	-	4,810
Contract services	30,318	3,204	2,650	867	37,039
Event costs	7,795	648	999	8,679	18,121
Group costs	120,051	-	3,977	133	124,161
Appreciation and gifts	2,256	47	321	6,202	8,826
Meetings and meals	5,440	46	890	121	6,497
Marketing and advertising	1,237	400	5,186	990	7,813
Development and education	19,775	2,200	3,124	1,525	26,624
Travel	6,760	142	1,215	1,046	9,163
Property and business taxes	-	-	12,002	-	12,002
Property management	3,738	-	32,534	-	36,272
Material, supplies and equipment	12,519	14,492	12,508	4,315	43,834
Legal and professional	15,000	8,840	12,288	4,520	40,648
Insurance	-	-	9,900	-	9,900
Information and technology	3,337	1,137	7,340	7,082	18,896
Bank and merchant fees	-	1,690	5,010	-	6,700
Retail store cost of goods sold	-	11,411	-	-	11,411
Utilities	9,847	3,939	4,183	2,954	20,923
Interest	10,775	4,030	3,211	3,066	21,082
Other expenses	46	-	464	-	510
Depreciation	<u>29,540</u>	<u>11,795</u>	<u>8,846</u>	<u>8,846</u>	<u>59,027</u>
Total expenses by function	690,290	151,966	148,543	142,160	1,132,959
Less expenses included with revenues on the statement of activities					
Retail store cost of goods sold	<u>-</u>	<u>(11,411)</u>	<u>-</u>	<u>-</u>	<u>(11,411)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 690,290</u>	<u>\$ 140,555</u>	<u>\$ 148,543</u>	<u>\$ 142,160</u>	<u>\$ 1,121,548</u>

The accompanying notes are an integral part of these financial statements.

TREETOPS COLLECTIVE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 158,863
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	59,027
Donated capital assets	(29,900)
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	(8,262)
Grants receivable	100,000
Prepaid expenses	2,506
Inventory	10,081
Accounts payable	2,839
Accrued payroll and related taxes	1,307
Sales tax payable	136
Compensated absences	7,137
Security deposits payable	(200)
	<hr/>
Net cash provided by (used in) operating activities	303,534
Cash flows from investing activities	
Purchases of fixed assets	(737,391)
Cash flows from financing activities	
Payments made on mortgage payable	<hr/> (16,700)
Net increase (decrease) in cash and cash equivalents	(450,557)
Cash and cash equivalents, beginning of year	<hr/> 803,647
Cash and cash equivalents, end of year	<u><u>\$ 353,090</u></u>
Supplemental cash flows information	
Cash paid for interest	<u><u>\$ 21,082</u></u>

The accompanying notes are an integral part of these financial statements.

TREETOPS COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Treetops Collective, (the Organization) is a 501(c)(3) not-for-profit corporation formed in 2016 that seeks to connect new American women with people and opportunities in their new community so they can put their roots down deep and stand tall for generations to come.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all demand and time deposits with an original maturity of 90 days or less and cash on hand to be cash and cash equivalents. At year-end and at times during the year, deposits exceeded the maximum FDIC insurance coverage. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Accounts Receivable

Accounts receivable related to tenants are considered past due when not paid by the date stated in the lease agreement. Accounts receivable are charged to bad debt expense as they are deemed uncollectible based on a periodic review of accounts. Substantially all of the accounts receivable are considered collectible by management. Accordingly, no allowance for doubtful accounts was considered necessary at year-end.

Inventory

Inventory consists of clothing and other goods sold at the Organization's retail store and through consignment at other unrelated locations. Inventory is stated at cost using the first-in, first-out method of inventory valuation.

Property and Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Acquisitions of property or equipment in excess of \$1,500 are capitalized while ordinary repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 5 to 20 years.

Compensated Absences

Employees earn and accumulate vacation and sick leave in varying amounts based on hours worked and length of service. Sick leave does not roll over to the next year. At termination, employees are entitled to receive payment of unused, accumulated vacation in accordance with the established policies and formulas. Accordingly, the Organization recognizes the cost of compensated absences for vacation when earned.

TREETOPS COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Security Deposits

A portion of the Organization's building is leased to unrelated residential and commercial tenants. In accordance with the terms of the individual lease agreements, the tenants have paid security deposits which are held by the Organization until the tenant moves out.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2023 was \$7,813.

Revenue Recognition

Rent is billed to tenants on a monthly basis and the related revenues are recognized on a monthly basis as the services are provided. Retail sales are recognized when the Organization delivers the goods to the customer.

Contributions and Foundation Grants Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Government Grants Revenue Recognition

Funds received from governmental funding sources are recognized as revenue in the accounting period when the expenditures are incurred and the grant funds are earned. The Organization's governmental support is recorded as net assets without donor restrictions.

Functional Allocation of Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include building costs which are allocated on a square footage basis, as well as salaries and benefits which are allocated on the basis of estimates of time and effort.

Donations

Donated equipment and materials are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills are provided by the individuals possessing those skills and would typically need to be purchased if not provided by the donation, are recorded at fair value at the date the services are performed. For the year ended December 31, 2022, there were no donated services and donated goods consisted exclusively of fundraising auction items.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Generally, income tax returns filed within the last three years remain open and subject to audit by regulatory authorities. The Organization concludes that there are no significant uncertain tax positions requiring recognition in the financial statements.

TREETOPS COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2023 and through the auditors' report date, the date the financial statements were available to be issued. No such events or transactions were identified.

2. LIQUIDITY AND AVAILABILITY

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities with donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of monthly requirements in short-term liquid investments.

The Organization's financial assets at year-end are as follows:

Current financial assets at December 31, 2023	\$407,643
Less those unavailable for general expenditure within one year due to donor specified time or purpose restrictions	<u>(50,155)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$357,488</u>

3. INVENTORY

Inventory is summarized as follows at December 31, 2023:

Raw materials	\$ 546
Work in progress	435
Finished goods	<u>34,801</u>
Total	<u>\$35,782</u>

4. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2023:

Land	\$ 31,722
Buildings and building improvements	1,873,570
Equipment	<u>66,453</u>
Total	1,971,745
Less accumulated depreciation	<u>267,810</u>
Net property and equipment	<u>\$1,703,935</u>

TREETOPS COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5. DEBT

Long-term debt consists of the following obligation at December 31, 2023:

Mortgage payable to a bank, collateralized by a mortgage on the property, payable in monthly installments of \$3,144 with a balloon payment of \$416,513 due December 2026, interest payable at 4.35%	\$468,780
Less current portion	<u>17,379</u>
Long-term debt net of current portion	<u>\$451,401</u>

Scheduled principal maturities of long-term debt for each of the years succeeding December 31, 2023, are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 17,379
2025	18,220
2026	<u>433,181</u>
Total	<u>\$468,780</u>

6. NET ASSETS

Net assets with donor restrictions at December 31, 2023 were as follows:

Specific purpose restriction	
Drivers training	\$ 7,655
Social Enterprise	17,500
Concentric	<u>25,000</u>
Total net assets with donor restrictions	<u>\$50,155</u>

Net assets released from donor restrictions during the year ended December 31, 2023 are as follows:

Satisfaction of purpose restriction	
Concentric	\$ 2,000
Drivers training	2,887
Company appreciation	1,000
Building expansion	<u>571,263</u>
Total restrictions released	<u>\$577,150</u>